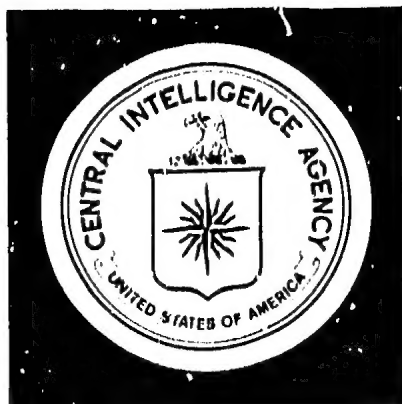


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## *Developments in Indochina*

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DEVELOPMENTS IN INDOCHINA

(Information as of 1500)

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SOUTH VIETNAM

2

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Saigon, rice prices are fairly stable and there are some indications of increased business confidence.

LAOS

5

Only minor clashes are reported.

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CAMBODIA

6

The government is under heavy pressure south of Phnom Penh on Route 2. The students have agreed to discontinue their strike, but the teachers are still protesting.

NORTH VIETNAM

7

Hanoi is telling its cadre to shape up.

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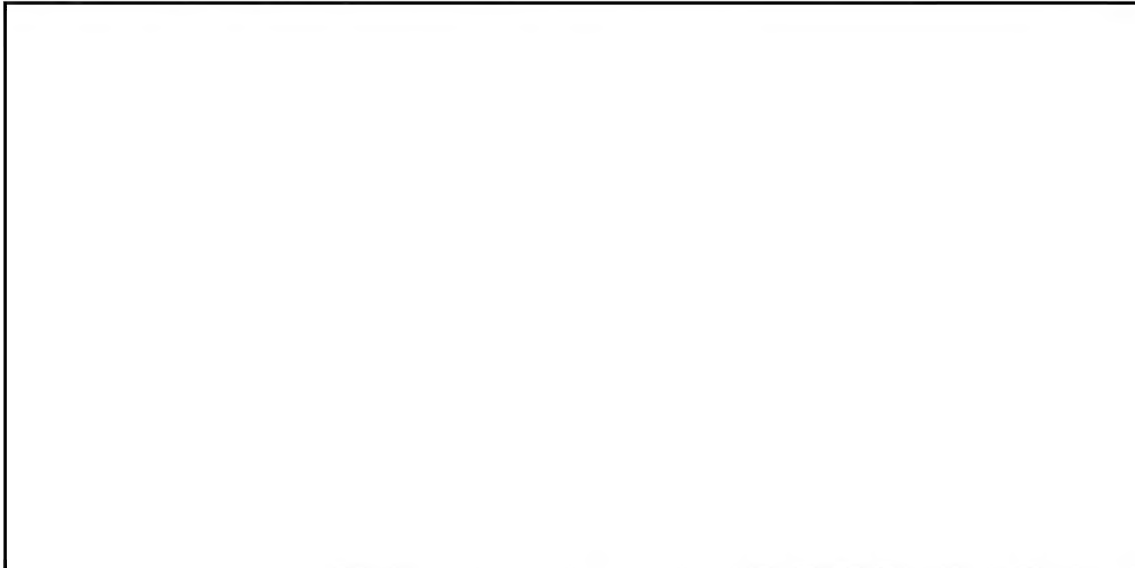
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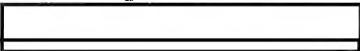
SOUTH VIETNAM

The Military Situation



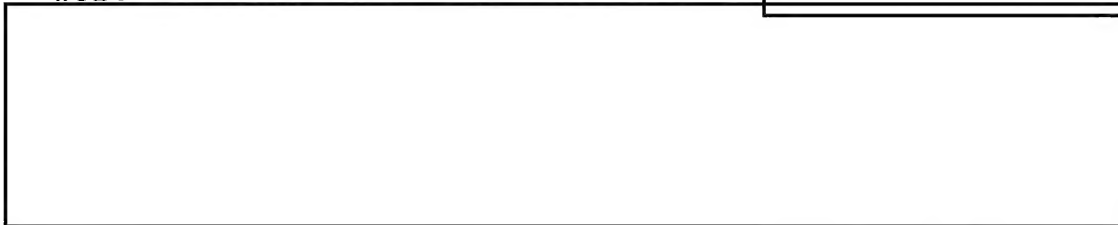
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In Thua Thien Province, the Communists on 11 March directed a mortar barrage against South Vietnamese positions in the Song Bo Valley west of Hue. A recent increase of North Vietnamese shellings in this area may be in reaction to South Vietnamese clearing operations near Communist supply and troop concentration points. Similar shellings and ground actions have been reported in Qua Son Valley of Quang Nam Province, where South Vietnamese regulars are also trying to gain additional high ground.

In the delta, sporadic sharp fighting continues in Dinh Tuong Province. Elements of at least two North Vietnamese main force regiments probably were involved in the recent action. 

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Friction Between North Vietnamese and Viet Cong  
Cadre in the South

There have been numerous reports in the past dealing with friction between North Vietnamese and Viet Cong cadre, but the differences appear to have been relatively minor ones and have had no lasting adverse effect on operations. Moreover, most reports of this sort come from southern provinces where the Viet Cong traditionally have expressed misgivings about great numbers of North Vietnamese arriving in their area.

The most frequently reported source of friction appears to be southern resentment over the use of North Vietnamese in other than military roles. Viet Cong cadre believe the North Vietnamese appear alien to the local people and further isolate the Viet Cong from the population. They particularly see this as a problem when North Vietnamese cadre are used to head local Viet Cong administrative organizations and thereby assume positions of authority over native southerners.

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Economic Situation

The impact of the cease-fire on South Vietnam's economy has been mixed in recent weeks. Economic indicators give a somewhat clearer picture of supply

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conditions than of consumer and investor behavior. Major supply routes appear to be open and critical commodities are not reported to be in short supply, but prices during the last two weeks have again edged upward about two percent following a general post-Tet decline.

Since the beginning of the year prices have increased about seven percent as foodstuffs rose six percent and non-food items 11 percent. The most recent increase reflects not only seasonal fluctuations in several perishable items, but also reports of renewed Viet Cong tax efforts along commercial routes and widespread rumors that the government is soon to raise military and civil service cost of living allowances. Although rice shipments from the delta have been slow, rice prices have remained stable because of adequate government stocks of imported rice. A recent government increase in the wholesale price of rice in the northern rice-deficit provinces, however, probably will result in somewhat higher rice prices throughout the country.

An end to the business recession does not yet appear in sight, but there are some small signs of increased business confidence. For example, a recent survey among selected industries indicated that sales volumes will increase over the next month or so. License applications for imports of US-financed raw materials have been on the upswing. On the other hand, an increase in import orders may have been a one-shot episode in anticipation of the relatively sharp increase that occurred on 7 March in the exchange rate for US-financed commodities--from 330 to 360 piasters per dollar.

A number of other recent measures have tended to discourage imports. On 22 February advance deposits on imports of most non-essential commodities were increased significantly. In addition, the government has temporarily suspended imports of finished textile products. Such measures are expected to curtail demand for luxury-type imports and represent an effort to restrict drawdowns on foreign exchange holdings.

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LAOS

The Military Situation

Government field commanders on 11 March reported only a few minor clashes. There were no government casualties. The Lao Air Force is still supporting government troops in combat and is also bombing targets of opportunity. [REDACTED]

Status of North Vietnamese Forces

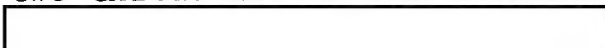
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There is still no firm evidence of North Vietnamese plans to withdraw from Laos. In the south, most North Vietnamese units are on guard against possible government attempts to retake territory and are trying to work out local arrangements to delineate lines of control.

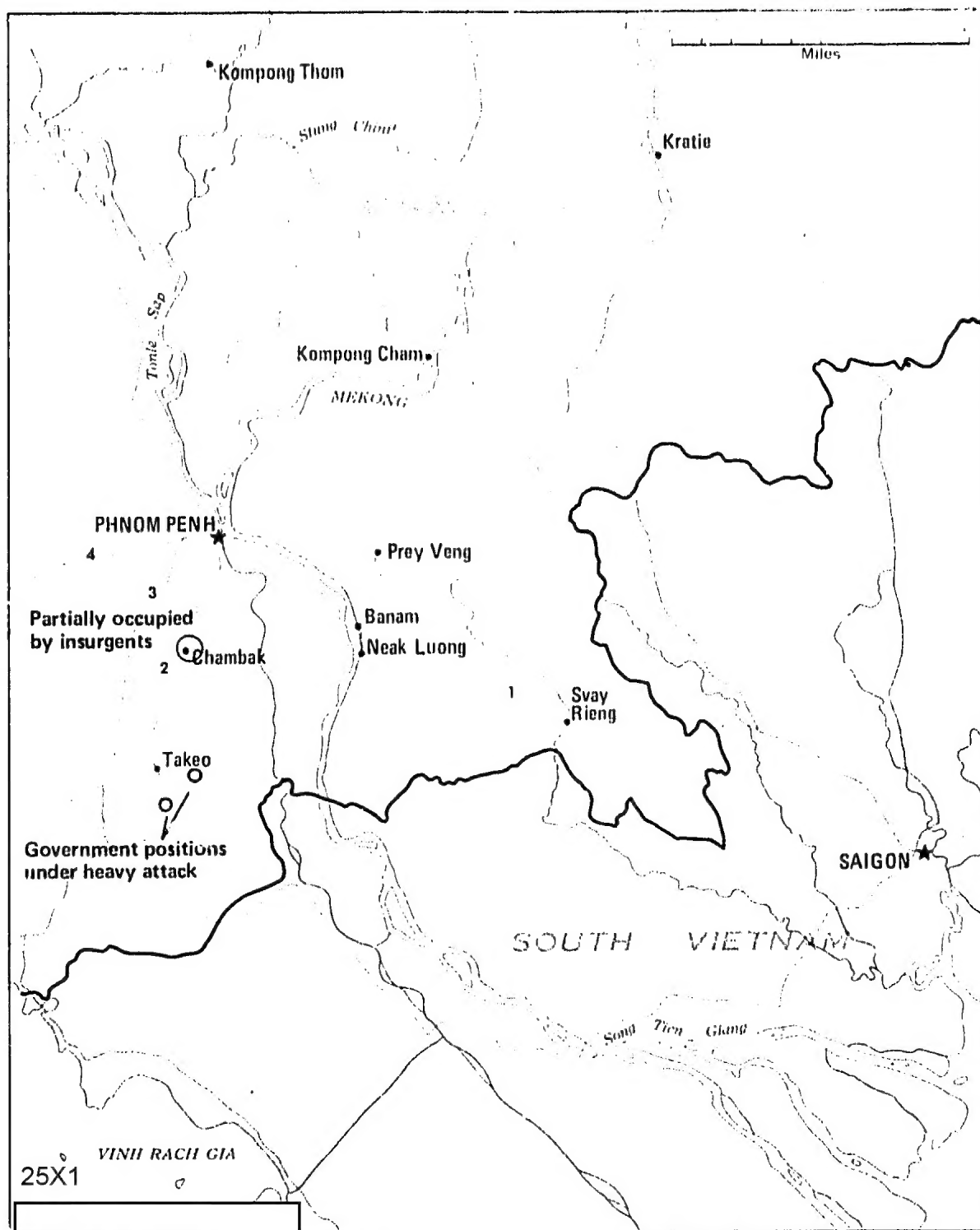


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There are some 85,000 North Vietnamese troops in Laos--47,000 in administrative services units and nearly 38,000 in regular combat units. Nearly two thirds are in the southern half of the country.



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CAMBODIA

Government positions along Route 2 between Phnom Penh and the South Vietnamese border are still under heavy pressure. [REDACTED]

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[REDACTED] Other government positions to the south and east of the provincial capital of Takeo are also under attack. The government operation to clear Route 2 between Phnom Penh and Chambak has made no progress. A brigade of crack Khmer Krom troops, supported by armored vehicles and artillery, are to be sent from Phnom Penh to help reopen the highway. [REDACTED]

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Economic Regulations are Reducing Popular Discontent

The new economic regulations designed to curb price rises and corruption appear to be reducing popular discontent. Student leaders in Phnom Penh have agreed to discontinue their three-week-old strike to give the government time to implement the new measures. The striking teachers have decided that the regime's program does not go far enough and they plan to remain on strike, but growing public sentiment that the teacher demands are unreasonable may force a softening of their position.

The ubiquitous Brigadier General Lon Non, who is preoccupied with ending the strikes, has told a US Embassy officer that he believes a settlement is near. Although he credited the strikers with being well motivated, he claimed that the teachers' organization has some pro-Communist leaders. [REDACTED]

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NORTH VIETNAM

Hanoi Puts Cadres on Notice

The North Vietnamese Politburo has issued a resolution implying concern over the motivation and ability of party cadre in both ideological and practical terms. Hinting that some ineffective cadre may be weeded out, the resolution described cadre work as "a question of decisive importance for the whole revolutionary cause," and implied that not all cadres have "the necessary virtues and abilities to fulfill their tasks." A recent directive issued by the premier's office suggested that cadres involved in production were not doing what they could to motivate workers and that those who lacked ability should be reassigned "to keep them from impeding production."

Hanoi has made similar observations in the past about the need to cull out ineffective cadre, but the process has never been extensive enough to cause much disruption in the party. [REDACTED]

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